



MICHIGAN HEALTH & HOSPITAL ASSOCIATION

Advocating for hospitals and the patients they serve.

TO: Members, House Insurance Committee

FROM: Brian Peters, Senior Vice President, Advocacy

DATE: June 23, 2005

SUBJECT: **House Bill 4742 (H-1)**
MHA Position: Oppose

The Michigan Health & Hospital Association opposes House Bill 4742, a bill to provide for a managed care option for auto no-fault personal injury protection benefits. This would appear to be a reasonable alternative to the current reimbursement system. Instead, it could dramatically alter the auto no-fault system and be extremely detrimental to health care providers and those people they treat after being severely injured in auto accidents.

Managed care traditionally requires health care providers to offer discounts to insurers and other third-party payers who make bulk purchases of health care. It usually involves a number of preventive care mechanisms also intended to reduce the cost of health care. Auto injuries that require the use of no-fault personal injury protection benefits are often very serious, but fortunately are relatively few. There are few economies to be had in the treatment of serious auto injury cases. The volume of cases does not justify payment reductions, and these patients often have numerous injuries and serious complications. In Medicare terminology these would be considered outliers; cases that cost so much more than the standard payment that additional payments are made.

HB 4742 anticipates a managed care option which would allow for reduced payments to providers, without regulation of these payments or proof that these lower reimbursement rates would be adequate or even justified. It makes no requirements for adequacy of preferred provider panels. Auto no-fault benefits provide for services and accommodations that are well beyond the scope of health care benefits. Transportation, occupational therapy, speech pathology, job retraining, home modification, personal care services and household replacement services are all covered. These items do not fit easily into the "preferred provider" concept. It appears from this legislation that the real savings generated would be in reduced payment for these services. If these services cannot be adequately reimbursed injured people will not be able to access them.

Proponents argue that a managed care option will significantly reduce auto insurance rates for consumers. These lower rates may be inconsequential, resulting in a significant loss of benefits in return for a small premium adjustment. Or the rate reductions may be very large, but this calls into question the amounts insurers are willing to reduce payments to health care providers.

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Inadequate payments to hospitals threaten the availability of care to everyone. If a trauma center's reimbursements are arbitrarily reduced to unfair levels investment in new equipment and programs will be stalled.

Finally, the premise of no-fault is that each driver pays upfront for the risk that an injury will occur during the use of a car. When an accident happens, the driver and his or her family are covered. There is no bill to the patient, and the providers are paid through the auto insurer, or a combination of primary health care coverage and auto insurance. What happens when the provider payment is less than the cost or charge for the service rendered? Who pays the balance? Remaining economic losses are probably recoverable through the tort system. This means higher liability costs for all drivers.

Michigan's no-fault auto insurance system provides injured people with timely, appropriate care and services following an accident, without the threat of thousands of dollars in outstanding bills from health care and other service providers. Moving to managed care changes this premise to a degree that Michigan hospitals cannot support.